



***Fleet & Industrial Supply
Center
Norfolk***

Navy Property, Plant & Equipment (PP&E) Policy

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NAVAL SUPPLY SYSTEMS COMMAND

Background

The Requirement - Auditable Financial Statements

**CFO Act of 1990
& FFMLA of 1996:
Requires all Federal
Agencies to prepare
annual audited
financial statements.**

FINANCIAL STATEMENT ELEMENTS:

Property, Plant & Equipment

- Real Property (Land & Facilities)
- Heritage Assets
- National Defense
- **Personal Property**

Other

- Govt Property Held by Contractors
- Inventories
- Operating Materials & Supplies
- Environmental Restoration
- Hazardous Waste/Disposal
- Deferred Maintenance
- Time & Attendance
- Personnel



NAVAL SUPPLY SYSTEMS COMMAND

Background (cont)

- **SECDEF Memo of 15 May 1998** "...*this is a Department-wide management problem... I am directing that you provide the USD(C) your support to achieve one of the **Administration's TOP PRIORITIES**--a favorable audit opinion on financial statements...In particular, the acquisition, **logistical**, medical and personnel processes and **systems must be modified** and retooled to adequately capture and report necessary information...."*
- **Joint Memo between USD(C) and USD(AT&L) of 6 Dec 2000** "... recent audit reports and testimony... have been critical of the Department's control and accountability for PP&E. Such audit findings... undermine the Department's credibility and confidence with the Congress and public. **One of the major "showstoppers" preventing... DOD.. from achieving an UNQUALIFIED AUDIT OPINION on annual audited financial statements is the Department's PP&E...** property management and logistics systems must be modified or replaced, policies and procedures changed and internal controls strengthened..."
- **Additional ASD/USD/DOD/CNO memoranda and messages concerning PP&E issues can be found on the Navy DPAS web page**



NAVAL SUPPLY SYSTEMS COMMAND

Background (cont)

How to get a Favorable (Unqualified) Opinion

Accurate Accounting

- ★ CFO/FFMIA Compliant system (calculates Depreciation)
- ★ Accurate Financial Statements & Reporting

Accurate Accountability

- ★ Standard Policy & Procedures
- ★ Accurate inventories; Assets Barcoded
- ★ Reconciliations with OPLOCs

Management Controls

What we must have

Improved Asset Management

- ★ Asset management tools (redistribution & visibility)
- ★ Planning and Budgeting tools
- ★ A single system for Minor and Capital Assets

What we also get

- **PP&E Program Executive Office (PEO) is OUSD (AT&L)**
- **Navy PP&E Program Management**
 - During DPAS implementation phase OPNAV N41/FMO were DPAS/PP&E Program Manager
 - Beginning FY-03 Program Management transferred to NAVSUP
 - **Program Manager located at FISC Norfolk**
 - **Mr. Joe Hurley**
 - Navy policy and procedures guidance
 - Represents the Navy at OUSD Configuration Control Board
 - Works with FMO on financial issues relative to PP&E
 - (757) 443-1763 joseph.hurley@navy.mil
- **Other DPAS Support**
 - DPAS CDA NAVSISA Mechanicsburg
 - Mr Randy Reed
 - DOD DPAS Program Support DPAS Columbus
 - Mr. Bob Musick

- Navy PP&E Management Support Team
 - Navy wide support in following functional areas
 - Navy Standard Catalog
 - Security Access to DPAS
 - System Change Request Processing
 - Monthly Financial Depreciation
 - Inventory (Manual and Automated)
 - Web Site
 - Training
 - Customer Assistance

First point of contact for
questions regarding DPAS
and/or PP&E



Navy PP&E Program Management

Support Team Staffing

- **Project Manager:** Jeff Powell, (757) 443-1579, jeffrey.powell@navy.mil
- **Project Director:** Doug Plude, (757) 443-1692, douglas.plude@navy.mil
- **DPAS/PP&E Analysts:**
 - Rick Johnson, (757) 443-1812, richard.w.johnson3@navy.mil
 - Joe Salonga, (757) 443-1805, jose.salonga@navy.mil
 - John Wilkinson, (757) 443-1677, john.wilkinson@navy.mil
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 - Thomas Boone, (757) 443-1584, thomas.boone@navy.mil
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 - David Call, (757) 443-1771, david.call@navy.mil

- **Property, Plant & Equipment (PP&E)....
SECNAVINST 7320.10A dated 1 April 2004**
 - **Purpose:** Establishes DON policies and procedures for personal property management that meet financial accounting and accountability requirements established by DOD FMR Volume 4 Chapter 6, the Chief Financial Officer's Act of 1990, Statements of Federal Financial Accounting Standards and applicable DOD guidance.
 - **Scope:**
 - Personnel assigned responsibility for the custody, accountability, and disposition of general personal property are required to comply with this instruction.
 - Commanders, Commanding Officers, Directors, Officers-in-Charge at DON activities may issue supplementary instructions when necessary to address specific / unique requirements of their organizations.

- **Personal Property is defined as....*****“Those items used but not consumed to produce goods and/or services to support DON’s mission.”***
- **Personal Property includes:**
 - General equipment
 - Industrial Plant Equipment
 - Vehicles and MHE
 - Office support equipment
 - Government Furnished Property/Equipment (GFP)
 - IT Equip and Software
 - Leases
 - Military Equipment
- **Personal Property does not include:**
 - Real Property (e.g. land, bldgs and structures)
 - Heritage Assets
 - Contractor acquired equipment
 - Non-appropriated fund items
 - Consumable items/inventories
 - Operating Material and Supplies
 - Household Goods (HHG)



Policy

PP&E Classifications

ASSET CATEGORY	DOLLAR VALUE	PR
Capital Assets (Formerly Class 3 & 4)	\$100K & above The only category that affects financial statements	MANDATORY - Financial Rep - Accountabi
Minor	\$5000 to \$99.9K	MANDATORY - Accountabil
Pilferable	No \$ value specified - Critical to mission/Business - Portable; hard to repair/replace	MANDATORY - Accountability
Sub-Minor (Mandated by the command; Not required by law)	Under \$5000 Doesn't meet above definition for pilferable	OPTIONAL - Local Contr

- **Establishment of Accountability**

- **Scope:** **ALL** capital, minor, pilferable, government furnished property/equipment (GFE) in the possession of contractors, lease agreements
- **When:** **At the time of receipt**
- **How:** Shall be **recorded and tracked** in a “**compliant**” personal property system approved by DON

NOTE: No other personal property systems are authorized except in the case of property that is classified/sensitive in nature that must be recorded in an approved secure property system

- **Termination of Accountability**

- PP&E Transferred out, sold, disposed, lost, stolen or destroyed shall be properly documented and removed from the personal property system at the time the property leaves the activity or is determined no longer exists
- Substantiating documentation must be retained for 36 months

Policy

Roles & Responsibilities

- **Commander:**
 - Appoints Personal Property Manager (PPM) (in writing)
 - Supports the Personal Property Manager to ensure that all property is properly maintained, safeguarded, accounted for, and accurately reported
- **Personal Property Manager (PPM):**
 - Implements DON personal property policies and procedures (see next slide)
 - Schedules training of personal property personnel
 - Ensures DPAS data integrity
 - Schedule and monitor physical inventories
 - Controls access to DPAS
 - Ensure compliance
- **Responsible Officer (RO):**
 - Ensures the due care and safekeeping of personal property assigned to their custody and the custody of those persons reporting to them
- **ALL Personal Property Personnel:**
 - Implement controls to ensure Management Control objectives are attained

- **Management controls**
 - PPMs required to implement the controls contained in SECNAVINST 7320.10 dated 1 August 2001 plus additional controls as required to produce the following desired major objectives:
 - Accountability of assets
 - Accurate financial reporting
 - Personal property system security and data integrity
 - Life cycle management personal property assets
 - Compliance with personal property policies and procedures

- **Required Documents**

- New capital asset acquisitions
 - Purchase Order, receiving report, vendor invoice and other documents that capture and record ancillary costs
- Capital assets transferred in or out
 - DD Form 1149, DD1348-1A, receiving report, vendor invoice, and other documents as available. Copies of documentation shall be retained by the transferring acty and originals fwded to the gaining acty
- Disposed property
 - DD1348-1A
- Leases
 - Lease agreement, Lease Determination Worksheet and Data Element Worksheet (or Lease Calculator Spreadsheet)

- **Required Documents (cont)**
 - Pilferable, Sponsor Owned/Pushed, GFE
 - Purchase Order and receiving report if not capital. If capital vendor invoice is required
 - Software
 - COTS, site license agreement
 - Internally developed software and improvements all documents supporting the final costs associated with producing/improving the software
 - Minor
 - Purchase order and receiving report
- Retention Requirements vary by category. See SECNAVINST 7320.10 paragraph 5b for details

- **Receipt processing:**

- Must establish local procedures to ensure all documentation is received, receipt date is documented, and the item is bar coded and **entered into the personal property system (DPAS) within 7 calendar days**

- **Bar Code:**

- All personal property will be bar coded within 7 calendar days
 - Bar codes shall be 10 Digits in length:
 - First 5 digits = **UIC of the activity recording the property in the their property system**, less the service designator (e.g. 32253)
 - Next 5 digits shall be a unique numeric, alpha, or alphanumeric number
 - Can be reused 36 months after the property has been removed from DPAS

- **Physical Inventory Frequency:**

- At least once every 3 years for capitalized, minor and pilferable personal property
 - When there is a change in Custodian (HRH)
 - Whenever directed by the Commander
 - As directed by the FAR for government property in the possession of contractors

- **Physical inventories are required to include ALL personal property records**
 - Book-to-Floor
 - Floor-to-Book
- **Physical Inventory Documentation**
 - Shall be maintained, at a minimum, until the next physical inventory is completed or 36 months
 - Documentation shall include the following:
 - The asset listing as of the physical Inventory date (HRH Inventory Report)
 - Documentation of the physical count. (HRH Inventory Report annotated with inventory results)
 - Inventory Adjustments made and the documentation supporting the resolutions or adjustments. (Manual Shortage/Overage reports, DD-200 and, Increase/Decrease Actions Report)
 - Signatures of those who conducted the physical inventory
 - Reconciliation report and other miscellaneous documents

- **Other Relevant Logistics Information**

- Inventories **must** be reconciled within 30 days of completion of inventory counts
- Following SECNAVINST 7320.10A paragraphs should be reviewed prior to conducting inventories
 - Para 7f - Physical inventory preparations (includes individual responsibilities)
 - Para 7g - Conducting physical inventory
 - Para 7h - Physical inventory reconciliation (includes individual responsibilities and completion letter to major claimant)
- Navy E-Learning, Military Property, Course 4 Inventory provides a detail "how to" for conducting inventories
- **Pushed / Sponsor-Owned Personal Property:** Property purchased by a higher entity (such as a Systems Command/Major Claimant) and forwarded to a command should be recorded in DPAS in the property system of the activity using the item.

- Leases...*capital and operating leases** exceeding two years in length must be recorded in DPAS
- Capital Leases
 - Net Present Value of the Total minimum Lease payments is greater than or equal to 100K
 - Meets **ONE** of the following:
 - Transfers ownership at the end of lease agreement
 - Option to purchase at bargain price
 - Term is 75% or more of Estimated Useful Life of asset leased
 - Present Value of rental and other minimum lease payments equals or exceeds 90% of the fair market value of the asset lease
- Operating Leases
 - Net Present Value of the total minimum lease payments is greater than 5K and less than 100K
 - Does not meet any of the 4 capital lease criteria

Lease agreements are entered in DPAS as an end item. Equipment listed are entered in DPAS as components (cost embedded) of the end item (lease agreement)

* Lease Calculator (see Navy PP&E/DPAS web page) can be used to make determination

Policy

Financial Information

- All Capital assets **MUST** be activated for depreciation upon receipt
- DPAS Activation/Acquisition/Effective dates must be equal
- Default depreciation periods programmed in DPAS
- Residual Value for Navy is always ZERO
- Depreciation processed in DPAS monthly for the entire major claimant database (straight line method)
- Financial data/reports collected/reviewed at the Navy PP&E Management Support Team
- Summarized for all Navy each month-reported to FMO via Data Collection Instrument (DCI) quarterly
- For more details regarding PP&E financial info, see SECNAVINST 7320.10A paragraph 6

- SECNAVINST 7320.10A dated April 2004
- DOD 7000-14 Volume 4 Chapter 6 (FMR)
- DODINST 5000.54 dated August 2002
- Navy DPAS Web Page
 - www.nor.fisc.navy.mil/home/dpas.htm
- DOD DPAS Web Page
 - <https://www.dpas.dod.mil/webdpas/index.htm>

Defense Property Accountability System (DPAS) - Microsoft Internet Explorer provided by Navy Marine Corps Intranet

File >> << >> Address <http://www.nor.fisc.navy.mil/home/DPAS.htm> Go Links

Navy Property, Plant and Equipment (PP&E)



Management Support

[Take the DPAS Survey!](#) **New!** 02Sep04

Audit/Inspection Tools New! 25Aug04	Navy Policies and Procedures New! 9Jul04
Barcoding and Printers	Official Correspondence and Messages
Contact the Navy PP&E Support Team	On Line Catalog Modification Request Form
DOD Forms New! 13Sep04	Quick Reference Guide New!
DPAS 16.5 Patch (Installation Instructions)	Software & Security Information New! 20May04
Eureka Management Reports	Support Team Functions
Major Claimant Conference Presentations	Training
Monthly Statistics/Metric Reports	User Services When in doubt click here (Procedures, forms, FAQs, manuals, etc)

Internet

- DPAS electronic “on line” training is now available
 - Link to CNET’s Navy Learning web page at
 - www.nor.fisc.navy.mil/home/dpas.htm
 - Click on *Navy E-Learning for DPAS*
 - Select Courses - scroll down to Military Property Management System
- 5 Courses offered...should be taken in the following order
 - *Introduction to Personal Property Accountability and Management*
 - *Introduction to Defense Property Accountability System (DPAS) (Navy)*
 - *DPAS for Personal Property Managers*
 - *Personal Property Inventory Management*
 - *Property Management and DPAS for Commanders/Commanding Officers and Executive Officers*

- Lots of information to digest
- Call the Navy PP&E Management Support Team
- Log on to DPAS at least monthly
- **Navy's Goal???**

Reliable, accurate and timely
logistics and financial
management information